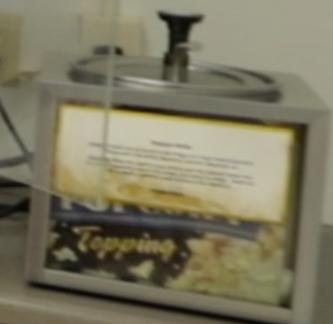


Governor Kristi Noem

FY2021 Budget Recommendations

be as quiet as
when movie
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NK YOU...

ATTENTION
Volunteers
Please do not
use the
sink or
water cooler
when
preparing
food.



POPCORN

Fiscal Management

- Fiscal Discipline
- Implementing Efficiencies
- Transparency

SOUTH DAKOTA'S ECONOMY

Economic Assumptions

- **US real GDP growth forecast: 2.3% in 2019 and 2.0% in 2020**
- **SD forecast is more conservative; consistent with views of the SD Council of Economic Advisors**
- **Continued low inflation**
- **Uncertain outlook for agriculture sector in 2020**

REVENUES

History of Adopted Ongoing General Funds

	Adopted Growth
FY 2016	+ 59.1M
FY 2017*	+ 46.8M
FY 2018	+ 43.3M
FY 2019	+ 55.4M
<i>FY 2020 Last year's estimate</i>	+ 55.7M

*Does not include \$107.0 million related to half percent sales tax increase

Recent Growth in Sales and Use Tax Collections

	2019	2020
Actual YTD Growth	3.6%	4.1%
Adopted Growth	<u>4.9%</u>	<u>4.9%</u>
Difference	-1.3%	-0.8%
Recommended Growth		4.5%

FY2020 Adopted vs. Revised Ongoing Receipts (millions)

Source	Adopted FY2020	Revised FY2020	Change
Sales and Use Tax	\$1,075.2	\$1,071.6	(3.6)
Lottery	126.0	127.4	+1.4
Contractor's Excise Tax	121.5	117.8	(3.7)
Insurance Company Tax	92.8	91.1	(1.7)
Unclaimed Property	47.8	47.2	(0.6)
Licenses, Permits, and Fees	69.7	68.9	(0.7)
Tobacco Taxes	50.1	49.0	(1.0)
Severance Taxes	4.6	4.8	+0.2
Other Ongoing Receipts	<u>113.7</u>	<u>117.4</u>	<u>+3.7</u>
Total Ongoing Receipts	\$1,701.2	\$1,695.3	(5.9)

*Totals may not sum due to rounding

Internet Tax Freedom Forever Act

- Signed into law in February of 2016
- South Dakota was one of 7 states taxing internet access services
- \$30 million in tax relief next year

FY2020 & FY2021 Revenue Forecast

(millions)

Source	Adopted FY2020	Revised FY2020	Recommended FY2021	Revised FY2020 vs. FY2021
Sales and Use Tax	\$1,075.2	\$1,071.6	\$1,108.2	+36.6
<i>Internet Tax Freedom Act Loss</i>			(20.0)	(20.0)
Lottery	126.0	127.4	131.0	+3.6
Contractor's Excise Tax	121.5	117.8	121.8	+4.0
Insurance Company Tax	92.8	91.1	95.7	+4.6
Unclaimed Property	47.8	47.2	47.2	0.0
Licenses, Permits, and Fees	69.7	68.9	69.1	+0.1
Tobacco Taxes	50.1	49.0	47.2	(1.8)
Other Ongoing Receipts	<u>118.3</u>	<u>122.2</u>	<u>123.2</u>	<u>+1.0</u>
Total Ongoing Receipts	\$1,701.2	\$1,695.3	\$1,723.4	+28.1

*Totals may not sum due to rounding

Ongoing Revenue Available

	FY2021
Structural Surplus Adopted in FY2020	\$0.5M
Current Year Revised Ongoing Revenue Growth	(\$5.9M)
Projected Ongoing Revenue Growth	<u>\$28.1M</u>
Total Additional Ongoing Revenue	\$22.7M

History of Additional Ongoing Revenues

	Adopted Growth
FY 2016	+ 59.1M
FY 2017	+ 46.8M
FY 2018	+ 43.3M
FY 2019	+ 55.4M
<i>FY 2020 Last year's estimate</i>	+ 55.7M
FY 2020	+ 49.8M
<i>FY 2021 Unadjusted estimate</i>	+ 42.7M
FY 2021	+ 22.7M

FY2020 MID-YEAR ADJUSTMENTS

One-Time Revenue in FY2020

	General Funds
Revised FY2020 Ongoing Revenue	(\$5,935,946)
FY2020 Other Funding	\$7,707,823
Transfer from Budget Reserve	<u>\$16,778,512</u>
Total FY2020 Revenue Available	\$18,550,389

Investing in Our Future

State Radio

- \$5.1M for state radio system infrastructure and system upgrade

Connect South Dakota Initiative

- \$5.0M for development grants

Investing in Our Future

USD Health Sciences Building

- \$5M for the construction of a new School of Health Sciences building at USD

DSU Cyber Cync Incubator and Entrepreneurial Center

- \$396K for the Cyber Cync Incubator and Entrepreneurial Center at DSU

Disaster Relief









FY2020 Recommendation

General Funds	
FY2020 Revenue Available	\$18,550,389
FY2020 Spending Changes	<u>(\$16,036,111)</u>
Total FY2020 Bottom Line	\$2,514,278

FY2021

EXPENSES

Ongoing Revenue Growth Available

FY2021	
Structural Surplus Left By Legislature	\$0.5M
Current Year Revised Ongoing Revenue Growth	(\$5.9M)
Budgeted Year Projected Ongoing Revenue Growth	<u>\$28.1M</u>
Total Ongoing Revenue Growth Available	\$22.7M

Ongoing Expense Overview

- **No Discretionary Inflation Increases**
- **K-12 Enrollment Increases and Special Education Allocation Rebase**
- **Mandatory Medical Provider Inflation and Consumer Expansion**
- **State Government Workforce Benefit Enhancements**

Supporting Education

K-12 Enrollment Increases

- Increased enrollment in the general education and special education formulas

Special Education Rebase

- Allocation amounts for six disability categories have been recalculated to take effect in FY2021
- Increase of nearly \$14M in total special education funds for schools

Confronting the Meth Epidemic

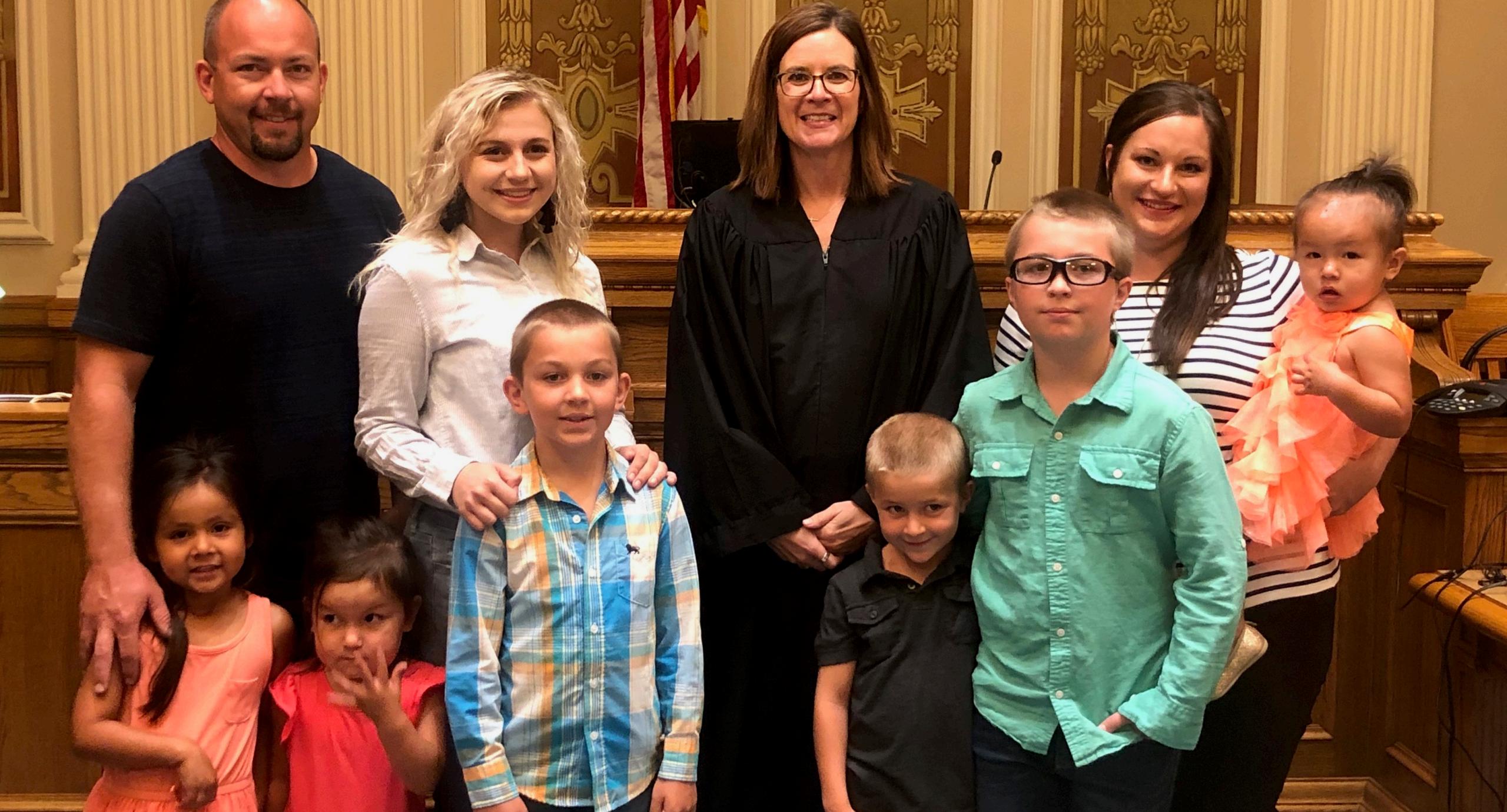
Confronting the Meth Epidemic

- \$3.7M for intensive meth treatment and enforcement to confront the meth crisis

Highlighting Foster Care







FY2021 Recommended Expense Summary

Major Increases/Decreases	General Funds
State Aid to K-12	\$8,867,096
Consumer Expansion	\$8,045,432
State Employee Health Insurance	\$4,134,191
Mandatory Provider Inflation	\$3,769,933
Confronting Meth Epidemic	\$3,712,208
Food Service and Utilities	\$1,659,834
Family First	\$1,119,505
Assisted Living Rate Tiers	\$1,087,634
Maintenance & Repair	\$325,362
Federal Medical Assistance Percentage (FMAP)	(\$2,455,809)
Budget Reductions	(\$8,878,308)
Various Increases/Decreases	<u>\$1,263,173</u>
Total FY2021 General Fund Increases	\$22,650,251

Bottom Line

	FY2020	FY2021
Increased Ongoing Revenues vs. Adopted	(\$5,935,946)	\$22,650,251
Other One-Time Revenue	\$7,707,823	\$0
Transfer from Reserves in Excess of 10%	\$16,778,512	\$0
Mid-Year Expense Adjustments and Transfers	\$2,704,211	\$0
Emergency Special Appropriations	(\$18,654,052)	\$0
Ongoing Expense Adjustments	\$0	(\$22,452,930)
Continuous Appropriation Adjustments	<u>(\$86,270)</u>	<u>(\$197,321)</u>
Bottom Line	\$2,514,278	\$0



GOVERNOR

KRISTI NOEM